

LOUISIANA INSURANCE  
RATING COMMISSION

P.O. Box 94157  
BATON ROUGE, LOUISIANA 70804-9157  
(504) 342-5202  
FAX (504) 342-6057



JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
CHAIRMAN

**Bulletin LIRC 98-04**

**MEMBERS:**  
DAVID E. CHOZEN  
ROBERT CLAYTON  
MICHAEL FRANKS  
SETH KEENER, JR.  
ELIZABETH McKEE  
STEVEN RUIZ

**DATE:** August 7, 1998.

**TO:** ALL PROPERTY & CASUALTY INSURERS AUTHORIZED TO DO  
BUSINESS IN LOUISIANA

**RE:** Use of Year 2000 Endorsements and Exclusions

The purpose of this Bulletin is to notify all property and casualty insurers of the proper procedures concerning endorsements and exclusions that may be affected by the impending Year 2000 situation.

The Louisiana Department of Insurance (LDOI) has determined that Year 2000 (Y2K) filings will be approved for use in Louisiana subject to the following:

**UNDERWRITING**

Insurers using Y2K endorsements or exclusions must engage in individual underwriting. Blanket use of the liability exclusions is not allowed and if found to be occurring will result in the withdrawal of approval.

**Personal Lines Coverage**

Y2K endorsements and exclusions are **not** approved for use in personal lines with the exception of "Home Business Pursuits" or other similar business coverage. Y2K forms may be used in connection with a Homeowner's or Farmowner's policy **if** the company can document that there is a realistic risk of exposure.

**Commercial Lines Coverage** (including but not limited to Commercial Property, Commercial General Liability, Professional Liability, Business Owners)

Company filings must include sufficient information for the LDOI to determine if use of the endorsement or exclusion is justified. To expedite the review process, the company should identify the lines of coverage which will be affected by the filing, the specific type of insured the company is targeting, and the specific reasons the endorsement or exclusion is needed for that type of insured.

**RENEWAL NOTICES**

A notice must accompany any policy that is renewed with a Y2K endorsement or exclusion. The notice must inform the policyholder that the endorsement or exclusion has been added to the policy and clearly explain the effect on coverage provided under the policy.

If the policyholder is issued an endorsement that retains or provides coverage for certain Y2K events the notice should advise the insured that such coverage is subject to other exclusions. The explanation provided in the notice must be consistent with the explanations provided to the LDOI. Failure to adequately explain Y2K endorsements and exclusions could give rise to a violation of LSA-R.S. 22:1214(1)(a). Notices should be issued thirty (30) days prior to the expiration of a policy.

## **NONRENEWALS**

All nonrenewals must comply with LSA-R.S. 22:636.4 and 636.6 which require notice of nonrenewal sixty (60) days prior to the expiration of a policy for commercial lines and thirty (30) days for homeowner's insurance, respectively.

Insurers may not indiscriminately nonrenew or cancel policies due to Y2K.

## **CLAIMS HANDLING**

Claims handling procedures must coincide with industry representations made in conjunction with the filings. For example, the exclusions can be invoked to deny coverage for claims for the costs incurred to upgrade, repair or replace computer systems and embedded chips to make them Y2K compliant; claims which allege losses due to faulty data; and, claims for economic losses arising from the failure or inability of a computer system to read or process "00" as "2000" or to read or process a four digit date field. Ensuing perils and losses which would otherwise be covered but for Y2K remain covered occurrences. The LDOI will review industry claims handling practices to ensure that valid claims are not being denied.

## **MONITORING OF MARKET CONDUCT**

Insurance is a business affected with the public interest. Further, insurers have a duty to act in good faith in regards to the obligations owed to their insureds. Therefore, the LDOI intends to monitor industry conduct to assure that it is consistent with the representations made to obtain approval of the Y2K endorsements and exclusions.

To prevent Y2K abuses the LDOI will promulgate a regulation to address unfair trade practices and unfair claims settlement practices. Industry participation is welcome.

This Bulletin is issued in accordance with R.S.22§2, 1402, and 1404.

If you have any questions regarding this Bulletin, you can reach LIRC staff at (504) 342-5202.



Chris Faser, III  
Deputy Commissioner - LIRC